

the average bonus for such advance being 63*l.* 0*s.* 10*d.* per share, and the amount of capital paid off 12,270*l.*—in addition to which there are 20½ shares agreed to be advanced, which will secure a bonus of 1,282*l.* 1*s.*; the number of shares, therefore, at present to be provided for, is thus reduced to 686½. As this number annually decreases, so the association will approach nearer to its dissolution; the directors therefore urge the members to assist them in obtaining this desired end as soon as possible, and with that view, they strongly recommend those who are desirous of purchasing their own residences, or other property for investment, to have their shares advanced to them during the early stages of the association.

This paragraph merits serious consideration, as from the very beginning of the institution, "102½ shares have been advanced to members upon mortgage, the average bonus for each advance being 63*l.* 0*s.* 10*d.* per share, and the amount of capital paid off 12,270*l.*"

The reader will observe here the slow progress made by the directors in getting poor men to take up their shares; for while the "subscribing" for shares of 120*l.* each, gives a "holding" to members, provided 10*s.* a month be paid, the cautious,

"Holding out to tire the others down,"

become gainers in these 102½ shares to the extraordinary amount of 6,446*l.* which is prudently added to 5,824*l.*, which the man, ambitious of house-property, further contributes to make the amount of capital paid off 12,270*l.*; that is to say, 102½ multiplied by 120*l.* In other language, the parties who have taken up these 102½ shares upon mortgage, have covenanted to discharge a debt of 12,270*l.*, by monthly instalments, which the directors improve at compound interest, and which, after all the explanations of these offered in our second letter, we shall not again enter upon. A debt, more than one-half of which they have wildly sacrificed for the empty boast of being "owners of property," which, after all is not yet theirs, and in this "untoward" age may never be theirs, nor their children's either, as we have pointed out in our former letters.

We desire we may not be misunderstood, as if we reasoned to dissuade men from labouring with all their might to acquire wealth. We beseech all men to work hard, to live economically, to provide for their families, to gain a good name in life, and bequeath an honourable reputation to their posterity. We entreat the poor man—no, he is not poor—he is rich in independent power who is the man we mean—the mechanic, the artisan, the day labourer, the man who is some hours afoot before December's sun gilds the morn, and who toils for hours after his glorious beams have tinged the western seas to salute the New World with another day—this is the man whom we endeavour to persuade that he can gain nothing from becoming the associate of the wealthier members of these building societies. Let him hear our oracle—the "Report" itself of "The London and Westminster Provident Association and Savings' Fund."

"The success that has attended the association up to the present time, arising from the number of shares that have been taken up, induced the directors, at their last meeting, to fix a proportionate premium upon all new shares subscribed for after that period; so that members now joining the association, or requiring an additional number of shares, will have to pay an entrance-fee of 7*l.* per share, excepting those parties who take up their shares, to whom an entrance-fee of only 1*l.* 10*s.* per share will be charged."

From this let him "read, mark, learn, and inwardly digest" what we say. But in making this honest and conscientious appeal to aspirants after house-property, we have well nigh forgotten what the previous quotation from the report saith:—"In addition to which there are 20½ shares agreed to be advanced, which will secure a bonus of 1,282*l.* 1*s.*, shewing that these shares yielded each a bonus of 62*l.* 11*s.* 6*d.* nearly." Here again we trace the monomania of house-property. The parties who have been indulged covenanted to pay 2,460*l.* for 20½ shares of 120*l.*, of which 1,282*l.* 1*s.* is a bonus, and

1,177*l.* 5*s.* may be considered the ashes of the holocaust!

What is the meaning of these next words, "therefore, at present, the number of shares to be provided for is thus reduced to 686½?" Is it meant that this huge mass is to be advanced to members upon mortgage, at the awful sacrifice of 63*l.* or 62*l.* per share? We pause for a reply. As there is no fixed number by which the series is to decrease till the last share shall vanish, no man can tell when "the association will approach nearer to its dissolution," though it requires no conjurer to divine how "its dissolution" may be brought about. The directors had need, therefore, to urge the members to assist them in obtaining this desired end as soon as possible, lest "both should grow together until the harvest," when that stern reaper, Time, shall put in his scythe, and mow them down.

The last quotation we made from the report is very rich. 102½ shares have been taken up, and elated with this success, the directors require "an entrance fee of 7*l.* per share from members now joining the association." This is rather a *bull*—nay, it is one—for the man desirous of "holding" a share is a *member* before he joins the association, and he will enjoy the felicity of companionship on agreeing to pay 127*l.* for a share; or, if he takes up a share, of giving the money men 64*l.* 10*s.* 10*d.* of a bonus. Truly this is playing at rich and poor with a vengeance.

But to return to the calculation; let us suppose a man takes four shares of 120*l.* each, then the amount stands thus:—

$$\begin{array}{r} £120 \times 4 = £480 \text{ Amount of shares.} \\ 63 \times 4 = 252 \text{ "Do. of bonus.} \end{array}$$

Sum received by the borrower £228

to be paid off in ten years at 4 per cent. per annum.

If we take the man's loss of time, the contingency of fines and office expenses, we may consider the society gets full 5 per cent. in the improvement of its capital. The amount is simply 22*l.* 16*s.*, to be repaid yearly by monthly instalments; and also 9*l.* 2*s.* 6*d.* of interest on the sum of 228*l.* borrowed. This makes a monthly contribution

$$\begin{array}{r} Borrowed money paid off .. £1 \ 18 \ 0 \\ Interest on sum borrowed .. 0 \ 13 \ 6 \end{array}$$

$$2 \ 13 \ 6$$

or annually the sum of 31*l.* 18*s.* 5*d.* The man pays for 120 months 2*l.* 13*s.* 6*d.*, which the directors improve at 5 per cent. compound interest, and make 404*l.* 1*s.* 4*d.* out of it, thus gaining 176*l.* 1*s.* 4*d.* out of the original sum of 228*l.*

But take 102½ shares at 120*l.* = 12,270*l.*, from which deduct bonus, = 6,446*l.*, and divide these 5,824*l.* by 120, the number of months within which this sum must be repaid, adding thereto the annual interest of 4*l.* per cent., amounting to 232*l.* 19*s.* 5*d.*, or in round numbers 233*l.*; then we have a monthly annuity for 10 years of 50*l.* 9*s.* 6*d.*, or of 605*l.* 1*s.* a year.

This sum improved at compound interest as a monthly annuity of 50*l.* 9*s.* 6*d.* would in ten years amount to the sum of 7,679*l.* 1*s.* 6*d.*; to this add the bonus, 6,446*l.*, without improvement, and we have 14,125*l.* But improve the bonus at 4 per cent. only, and we have the sum of 9,541*l.* 13*s.* which, added to the improved monthly annuity, gives the sum of 17,221*l.* 7*s.* 8*d.*, being about a gain of 11,397*l.* on 102½ shares.

We have taken no account of the ground-rent and repairs, which must be paid yearly; but take these on a house purchased for 228*l.* at 5*l.* per annum, and the poor man would have to pay 36*l.* 18*s.* 5*d.* for 10 years: that is to say 3*l.* 1*s.* 10*d.* monthly; which in 120 months the directors would improve at 5 per cent. compound interest and make 458*l.*, thus gaining the sum of 230*l.* on a transaction which originally cost them 228*l.* as the sum lent to the poor man.

Sufficient is here shewn to satisfy any unprejudiced mind that the legislature has been grossly misled in sanctioning the proceedings of these building societies.

The ancient Mexican physicians had a peculiar mode of curing diseases: they had conical hovels built, in which they sweated their patients to exude the virus by the pores of the

skin. Few people among us voluntarily take physic; probably few of the Mexicans crept into the sweating hovel of the doctors out of sheer amateurism; and *mutatis mutandis*, it doth appear that few of the members holding shares in the "London and Westminster Provident Association and Savings' Fund" covet the sweating chambers of the capitalists, or pretended capitalists, in this little stock exchange jobbing concern. God grant, men say to him with the Psalmist, "my times are in thy hands," and thus enjoying a healthier tone of mind, they may trust rather to the good will of Heaven, the resources of honourable industry, and the wise security of other modes of investing their savings, than in an association wherein it is manifest that the benefits lay all on one side.

With these remarks we close our present letter; but shall add as a postscript a note that has been sent to the editor on our first letter. Had we worked out the problem on Mr. Short's data, the unfortunate speculator would have been in a much worse predicament than the society actually blazoned him in.

"SIR,—Mr. Wilton, in his first letter on the building societies, forms his calculation on the supposition that the borrowers can obtain 70*l.* on each share, which is an error in practice. The shares being put up to competition, they are frequently sold for a much less sum, and perhaps the average would be more correctly stated at 55*l.*, so that the profits of the capitalists will be considerably more than shewn in his statement. If 500*l.* is borrowed on this basis of the building societies, the calculation will be as follows:—9 shares at 55*l.* per share will produce 495*l.*, nearly the sum required, for which will be paid—

9 shares, at 10 <i>s.</i> per share per month	£4 \ 10 \ 0
Interest 4 <i>s.</i> per share ditto	1 \ 16 \ 0
Total monthly payment	6 \ 6 \ 0
Multipled by	12
Making yearly payment to society	75 \ 12 \ 0
	10

Total amount to be paid to the society for 495*l.* £756 \ 0 \ 0

"If we borrow 500*l.* of a private individual, the calculation will amount to the following:—

500 <i>l.</i> at 5 <i>l.</i> per cent. per annum interest is ..	£25 \ 0 \ 0	per annum.
And to pay off the capital in ten years ..	£50 \ 0 \ 0	ditto.
	75 \ 0 \ 0	
Multipled by 10 years	10	

A trifle in favour of this plan £750 \ 0 \ 0

"And as the building societies will not close their accounts until each share has produced the 120*l.*, instead of ten it may be twelve or thirteen years, which of course will add much to the borrower's expenses, as they would have to continue their subscriptions and interest up to that time.

"With regard to the plan of borrowing of a private individual, there is no risk, besides the advantages of paying 5*l.* per quarter interest, requiring only six attendances instead of twelve, no fines; also the 50*l.* per annum to be saved for paying the principal, might be employed beneficially, or at least put out, with some of the banking companies, as a permanent deposit, and produce 2 per cent., which would pay the expense of the mortgage deeds.

"Your most obedient servant,
"W. J. SHORT.

2, Spring-terrace, Lambeth.

We must observe on Mr. Short's letter, that if the man pays 75*l.* 12*s.* a year by monthly instalments of 6*l.* 6*s.*, he will, as the directors improve his contributions at 5 per cent. per annum, by the conversion monthly of his mites into capital, have contributed in ten years the sum of 954*l.* 10*s.* 10*d.*, being 202*l.* 10*s.* 10*d.* more than Mr. Short's figures come to, as to the transaction between the borrower of 500*l.* from this building society and its wary directors.

The transaction as between the private individual and the borrower is simply an annuity of 75*l.*, which would at 5 per cent.